ANNUAL IMPACT REPORT 2022–2023

Emerging Markets Equity Impact

Schroders

Marketing material for Professional Clients Only

CONTENTS

HOW TO SCALE IMPACT WITH INTEGRITY?

OUR EXPERIENCE IN DELIVERING IMPACT IN PUBLIC EQUITY INVESTING

The size of the public equity market means it has an important role to play delivering impact at scale, but investors need to follow some core principles to ensure impact is really being achieved. We explain how this works.

The global impact investment market has grown in size and sophistication in recent years – estimated at over a trillion dollars by the latest Global Impact Investing Network (GIIN)[1] figures, and with notable growth from asset classes that are much newer to impact investing, such as listed equities.

The need to scale impact
This growth is welcome due to the potential for channelling capital towards solving some of the challenges set out by the UN Sustainable Development Goals (SDGs) while delivering financial returns.

The scale of the challenges facing the world requires significantly more capital than is currently focused on tackling them. Up to $5-7 trillion of annual investment is needed to tackle the UN's SDGs[2], significantly more than the entire $1.1 trillion pool of impact investments according to the GIIN[1].

Scaling impact, therefore, requires a cross-asset class approach that incorporates listed equities.

Caution needed
The rapid growth of impact, however, presents risks to market integrity. As new players that do not have a history or depth of expertise in impact enter the market, there is a real divergence in the level of rigour and robustness that different managers apply, and a growing risk of impact-washing. There is an urgent need for clarity within the industry on what constitutes robust impact practices within listed equities, and what does not.

We believe that the same leading industry standards such as the Operating Principles for Impact Management, (Impact Principles) the Impact Frontiers, and IRIS+ that have been critical in establishing impact integrity in private markets can and should be equally applied to listed equities. Incoming regulations such as the SDR sustainable investment classification rules in the UK, could help establish more consistency, if based on robust principles such as the Impact Principles.

We are not willing to lower the bar in listed markets. Below, we explore how we bring the integrity and robustness of traditional impact investing into the listed equity space.

WHAT SETS IMPACT INVESTING APART FROM OTHER STRATEGIES?

Impact investing requires three core characteristics:

Intent

Impact funds have explicit impact objectives and goals that are articulated in a "Theory of Change". This sets out specific inputs and actions that the fund will take, and the outputs that will be measured.

Contribution

Impact investing is also about providing financial and non-financial support as an investor to deepen the impact of portfolio companies. Contribution is assessed at both the investor and company level to understand the impact value add of both.

Measurement

Impact funds collect and monitor impact key performance indicators that quantify the magnitude of impact that an investee is delivering. This includes a forward-looking measure of impact targets to track progress against over time.

Source: Schroders.
[1] https://thegiin.org/assets/2022-Market%20Sizing%20Report-Final.pdf
[2] https://www.unpri.org/download?ac=10795#:~:text=There%20is%20a%20clear%20role,year%20from%20the%20private%20sector.

A RIGOROUS APPROACH AND A ROBUST FRAMEWORK

Schroders' impact investing offering spans **asset classes** and is grounded in **best-practice impact management** and measurement to ensure consistent and rigorous implementation across the board while targeting above market rate returns alongside solving societal challenges.

With a core ambition to scale impact with integrity, we have built our offering on the expertise of BlueOrchard, a leading impact investor with over 20 years of experience in impact across private and listed assets. Our framework and offering bring the rigour of the pure play impact manager into Schroders' Impact Driven range.

The Impact Driven range uses industry best practice, such as the Operating Principles for Impact Management (Impact Principles), Impact Frontiers, and IRIS+. We are delighted to have been recognised as a leader in this field through the external independent verification of our alignment with the Impact Principles in August 2023.

WHAT DOES IMPACT INVESTING MEAN IN PRACTICE?

We invest in companies whose products and services make a material contribution to positive social or environmental impact: a significant share of a company's business model must be in impactful activities that we can tie to at least one of the SDG targets. This means investing in businesses where impact is core to the business model and a key driver of the financial performance of a company.

If the impactful part of the business is new and fast growing, we model out the growth trajectory to ensure that it will become a meaningful part of their business over the medium-term.

Impact goes beyond operational improvements or sustainability performance, and it targets what a company is actually providing to the world, in addition to how it provides it. Impact does not have to come at the expense of strong sustainability performance, but in addition to it.

WHAT ARE THE CHALLENGES FOR IMPACT INVESTING IN LISTED EQUITIES?

Despite the opportunities that impact investing in listed equities presents, it is important to call out some challenges, as identified by the GIIN's Guidance for Listed equities – which Schroders helped to shape.

The challenge	Schroders' approach
Weaker investor-investee relationship, given the presence of a large number of shareholders, and the rare provision of new capital to companies by investors, has led some to question the **additionality** of investor contribution in listed equities – i.e. is the investor really bringing about positive change or would the change have happened anyway?	We believe the focus should be on the depth of relationship with the investee and the uniqueness of what we, Schroders, can bring to the table. This is either through the way in which we provide capital or the non-financial support that we can bring to our investees. The multi-decade relationships of our portfolio managers with businesses are vital for effective impact engagements that drive the core impact objectives of the funds, and our scale and reputation ensures that our engagement carries weight.
Diversification and benchmark alignment Listed equity managers may face pressures for **diversification** and **benchmark** alignment, limiting their abilities to target specific impact themes or goals, or possibly placing pressure on them to invest in less impactful companies that constitute a large share of the benchmark.	All of our Impact Driven funds have clear theories of change that set out explicit impact goals and targets, and we are not afraid of having a high active share (i.e. divergence from benchmark) to pursue these core impact objectives; indeed it is often necessary. Our impact governance process, where every company is discussed and approved by an independent Impact Assessment Group (IAG), provides an additional layer of protection against mission drift.
Liquidity and fluidity Listed equity markets are (generally) **liquid**, where shares can be easily purchased and sold. This can make it less conducive to develop the long-term relationships with companies that are needed for the deep impact engagement.	As a long-term active manager, we prioritise the provision of patient capital with low turnover in our Impact Driven funds.
Complexity of investees Complex and often multi-national investees with **diversified business models** can make it challenging to understand and measure their impact.	We perform transaction-level impact assessments for every investment, using industry frameworks (such as the Impact Frontier's 5 Dimensions of Impact, and IRIS+) to identify the specific business activities and revenue lines that are driving impact and the KPIs we can use to track this over time. We map these back to the SDGs and specific targets to ensure that we are consistent in how we define impact.
Data challenges have been mentioned in the context of listed equities, but we have found that, if anything, the larger budgets that listed equity companies typically possess by virtue of their size generally improves measurement and disclosure.	Data availability and collection is a key aspect of our engagement with the companies' management teams.

SUMMARY: HOW SCHRODERS APPLIES IMPACT BEST PRACTICE TO LISTED EQUITIES

The challenges presented above highlight the need for rigorous systems of impact measurement and management when investing in listed companies.

Consistency: Our impact framework builds on BlueOrchard's 20+ years of expertise and is consistent across asset classes. We apply the same principles in listed equity as we do within private equity, private debt or listed debt – of course allowing for asset-class or geographic nuances. This consistency is core to our offering and to our mission of scaling impact with integrity: we believe that the core principles (intent, contribution and measurement) and frameworks of impact management and measurement can be rigorously applied across asset classes, including in listed equities.

Rigour: Our proprietary impact toolkit enables us to measure and monitor impact progress across the investment lifecycle (from impact initiation, annual monitoring and engagement, through to exit and even beyond) for every investee and leverages the insights and learnings embedded in BlueOrchard's B.Impact™ framework. Our independent governance structure the Impact Assessment Group (IAG) vets every transaction for admission into the impact universe, providing an additional layer of scrutiny to ensure that we are truly investing in companies that are driving positive change, alongside financial return.

Transparency is critical in the rapidly expanding impact market. Clear and transparent impact reporting, alongside external verification of our impact framework ensures accountability and means that our impact practices can be benchmarked against those of our peers.

EMERGING MARKETS EQUITY IMPACT STRATEGY INTENT

This Annual Impact report aims to highlight the way the Emerging Market Equity Impact Strategy achieves a positive impact alongside an attractive financial return. The strategy aims to provide capital growth by investing in equity and equity related securities of emerging and frontier markets companies worldwide, or companies which derive a significant proportion of their revenues or profits from emerging markets (EM) or frontier markets countries worldwide, which help to advance the United Nations Sustainable Development Goals (UN SDGs) and which the Investment Manager deems to be sustainable investments.

The intent of the strategy is to invest in public companies that through their products and services materially contribute to having a positive impact to society, in line with the UN SDGs, including in five key areas: Environment, Health and Wellness, Responsible Consumption, Sustainable Infrastructure and Inclusion.

Arguably, nowhere offers greater potential for investors to have a positive impact than in emerging markets. The health crisis triggered by COVID-19 has been a reminder of the harsh realities that many people across the world face every day. According to United Nations (UN) estimates, over 2 billion people do not have regular access to safe, nutritious and sufficient food. 2.4 billion people still lack access to basic sanitisation services, while 20% of children do not have access to formal education. Many of the affected people live in less developed countries, and the pandemic has exacerbated the existing challenges.

Alongside the greater environmental and social challenges faced within EM, many EM companies are at a relatively early stage in their impact and ESG journey and therefore the opportunity for us as an asset manager to contribute and have an impact is greater. Of course, while we believe that an asset manager can have greatest impact in EM, it is important to stress the fact that investing in EM can carry higher risk relative to other global markets. Therefore, the need for significant resources, local knowledge and a disciplined process is vital to deliver both a positive impact and an attractive financial return.

The strategy theory of change on the next page identifies specific world problems and details how the strategy will seek to address these challenges. Every portfolio holding contributes to the impact goals set out in the theory of change.

PROBLEM	INPUT	ACTIVITY	OUTPUT	OUTCOME	INTENDED IMPACT
Environment EMs are most vulnerable to climate change and a deteriorating environment	Proprietary impact scorecard and sustainability models	Impact assessment through proprietary scorecard and independent group	Dollars of capital provided and average holding period	Reduced GHG emissions and improved natural capital	Enhanced environment
Health and Wellness Access to sanitation and healthcare services & products is limited			Long-term investment and support for impactful businesses	Improved healthcare and sanitation provision and access	Lower disease and mortality rates
Inclusion into the financial and economic system is unequal	Independent oversight from team of sustainability and impact experts	Active engagement to drive positive change	Number of engagements and outcomes	Increased education levels, workforce diversity and access to finance	Reduced inequality
Responsible consumption Production practices have led to excessive and unequal resource use			Improved impact and sustainability practices at investee companies	Reduced resource use and waste; improved production practices	Transition to a circular and sustainable economy
Sustainable infrastructure is insufficient and inaccessible	SDG mapping and impact framework	Monitoring progress against core KPIs to ensure impact is achieved	KPI reporting Transparent reporting to demonstrate progress towards impact goals	Increase in sustainable housing, transport and other basic services	Increased access to basic infrastructure and services

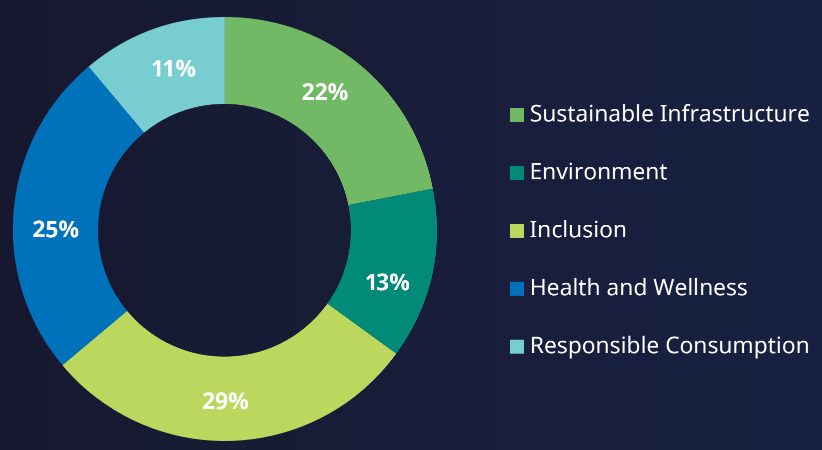
In order to measure the impact, each holding is mapped to a primary SDG to give an overall portfolio view. Each company is expected to have specific measurable KPIs, related to the primary SDG, and each KPI is tracked over time to monitor progress. In addition, a proprietary tool, SustainEx[5] is used to measure the societal impact of the overall portfolio.

Active engagement with companies held, or those being considered, is a key element of the strategy's process. The focus is on increasing the contribution to society and improving stakeholder outcomes by working with companies on how they can achieve best practice–driving positive change by focussing on specific KPIs and tracking progress through time.

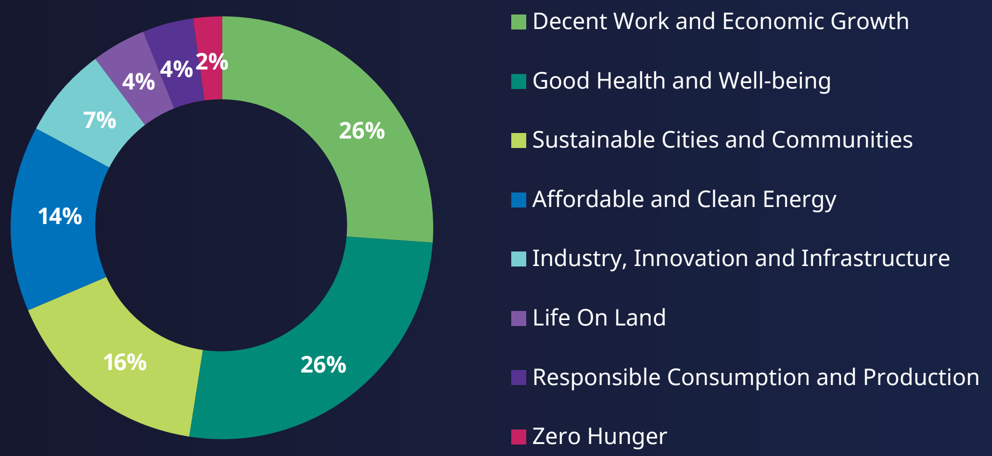
Source: Schroders.
[5]Schroders uses SustainEx™ to estimate the net social and environmental 'cost' or 'benefit' of an investment portfolio having regard to certain sustainability measures in comparison to a product's benchmark where relevant. It does this using third party data as well as Schroders own estimates and assumptions and the outcome may differ from other sustainability tools and measures.

IMPACT AND SUSTAINABILITY METRICS

BREAKDOWN OF REPRESENTATIVE ACCOUNT BY IMPACT AREA



BREAKDOWN OF REPRESENTATIVE ACCOUNT BY PRIMARY SDG



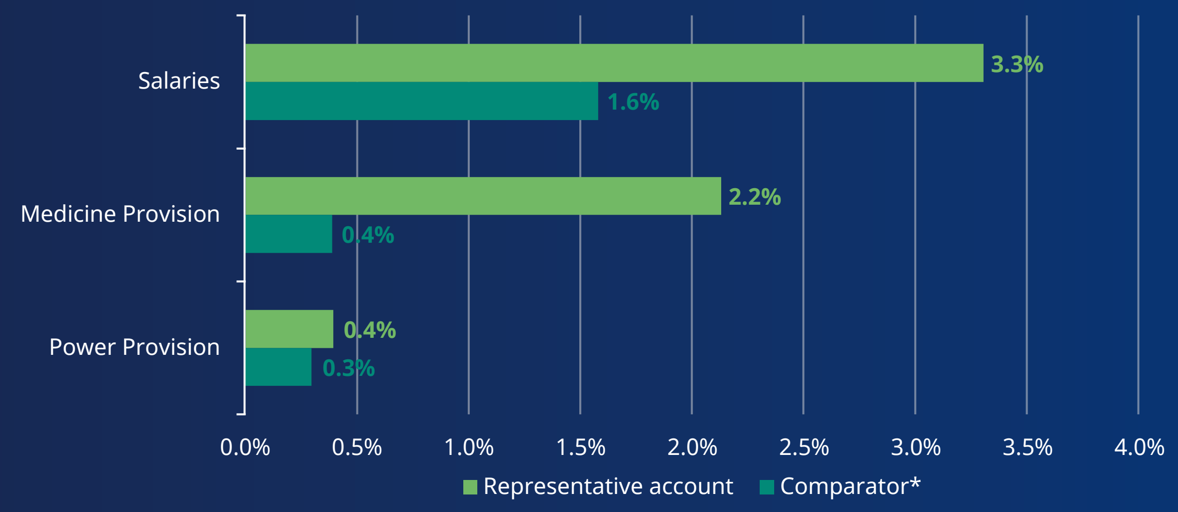
Emerging Markets Equity Impact Report

SUSTAINEX

SustainEx provides an estimate of positive and negative "externalities" that companies may create for society. It does this by using metrics chosen by Schroders and quantifying positive and negative metrics to produce an aggregate measures expressed as a notional percentage of sales. If a company was handed a bill or a credit note at the end of the year, for the net costs or benefits they created for society, SustainEx estimates what that would be. Below are the top three active externalities for people and planet for the strategy.

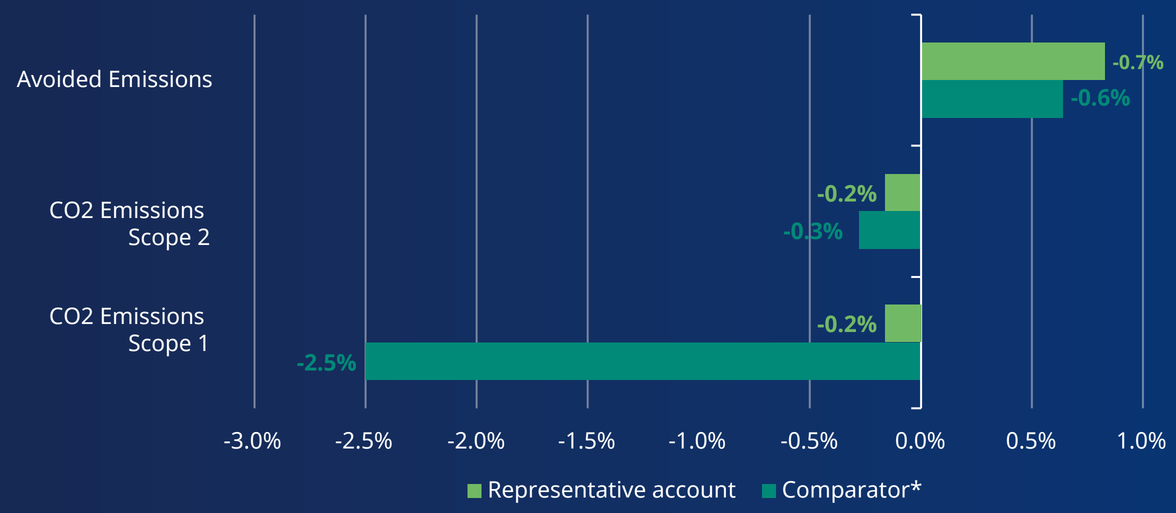
Representative account: +6.2%	Comparator*: +2.7%

IMPACT ON PEOPLE, TOP ACTIVE CONTRIBUTIONS



Representative account: +6.5%	Comparator*: +1.1%

IMPACT ON PLANET, TOP ACTIVE CONTRIBUTIONS

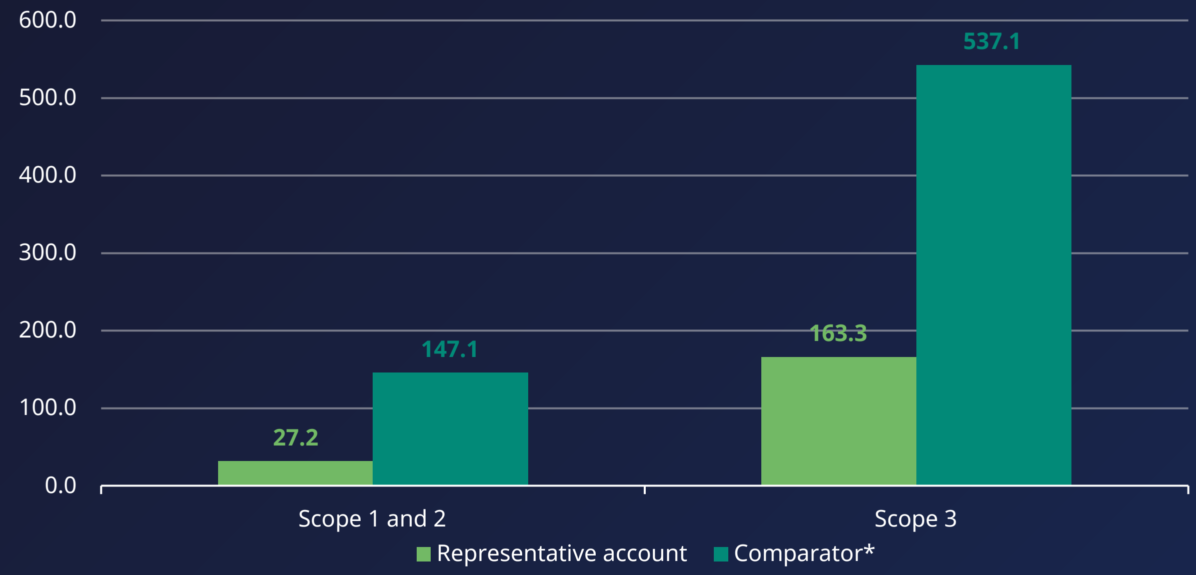


Representative account: -0.3%	Comparator*: -3.8%
Representative account coverage: 100%	**Comparator* coverage: 100%**

Source: Schroders. *Comparator: MSCI Emerging Markets.

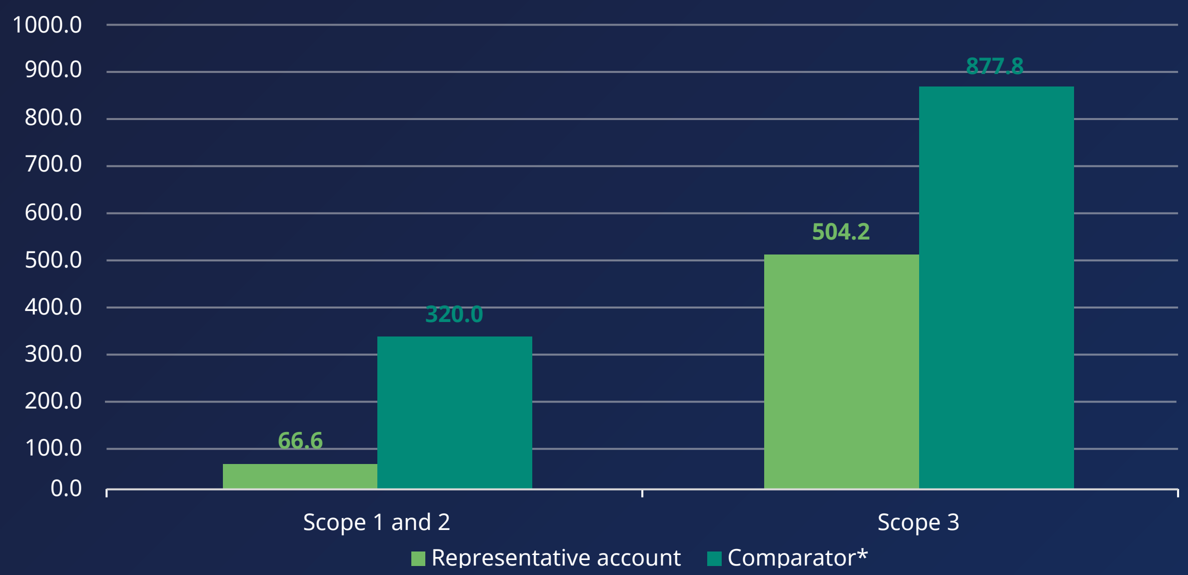
CARBON METRICS

CARBON FOOTPRINT
Tonnes of CO_2 per $m invested



Scope 1 ,2 and 3	Representative account coverage: 95%	Comparator* coverage: 99%

CARBON INTENSITY
Tonnes of CO_2 per $m sales



Scope 1 ,2 and 3	Representative account coverage: 95%	Comparator* coverage: 99%

Source: MSCI.

Emerging Markets Equity Impact Report

IMPACT METRICS PER $1 MILLION INVESTED

People

2,048
People reached

INCLUDING

484	812	240	6	505
provided with financial services	provided with healthcare	provided with digital services	provided with education	job seekers enabled

Planet

149
Tonnes of CO_2e avoided

Which is the equivalent of the carbon absorbed by

2,478 trees

Source: MSCI. *Comparator: MSCI Emerging Markets.

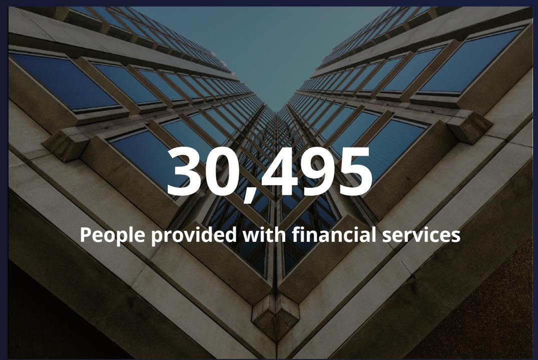
Emerging Markets Equity Impact Report

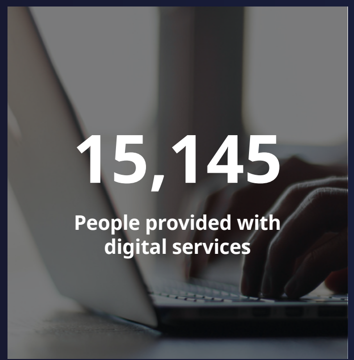
PORTFOLIO IMPACT METRICS: TOTAL ALIGNED PORTFOLIO IMPACT

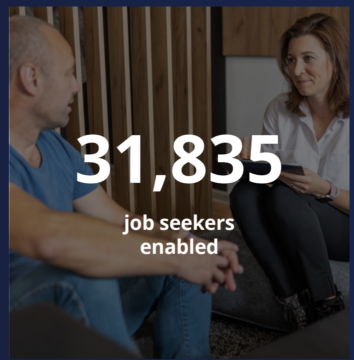
People

129,014
People reached

INCLUDING







Planet

9,367
Tonnes of CO_2e avoided

Disclaimer: Data shown reflects impact calculated for 12 months as at 31st August 2023, based on the value of assets in our EM Impact strategy on 31st August 2023. The positive impact is generated by the companies that we invest in and the users of their products and services, like the organisations that have helped improve access to healthcare, finance and digital services. Investors in the strategy are aligned with these impacts but are not solely responsible for them. We use the most up to date underlying impact data available as reported by companies or as calculated using SustainEx methodology for avoided emissions to estimate these impact metrics, and apportion it according to our holding size as at 31st August 2023. Where data is not available (in the case of 25% of holdings as at 31st August 2023) or is part of corporate social responsibility of the companies we have not included it, with the expectation that our results are conservative. To illustrate the aggregated impact, we translate the impact into more meaningful comparisons using the following conversion ratio: over a decade, one tree captures and stores 60kg of carbon dioxide from the atmosphere (Source: EPA).

Source: MSCI.

Emerging Markets Equity Impact Report

FINANCIAL PERFORMANCE

PERFORMANCE TO 31ST AUGUST 2023 (% NET RETURNS IN USD)

Past performance is not a guide to future performance and may not be repeated. The value of investment can go down as well as up and is not guaranteed. The return may increase or decrease as a result of currency fluctuations.

	3 Months	12 Months	3 Years p.a.	Since Inception[1] p.a.
Representative account	-1.4	+1.7	–	-5.8
Comparator[2]	+3.5	+1.3	–	-11.1
Relative performance	**-4.9**	**+0.4**	**–**	**+5.3**

CALENDAR YEARS PERFORMANCE (% NET RETURNS IN USD)

	2022	2021	2020	2019	2018	2017	2016	2015	2014	2013
Representative account	-7.9	–	–	–	–	–	–	–	–	–
Comparator[2]	-20.1	–	–	–	–	–	–	–	–	–
Relative performance	**+12.2**	**–**	**–**	**–**	**–**	**–**	**–**	**–**	**–**	**–**

[1]Inception Date 7th July 2021. [2]MSCI Emerging Markets.

FINANCIAL PERFORMANCE COMMENTARY

Absolute performance over the last 12 months has been 1.7%. Strong performers during the period included Mercado Libre, a Latin American e-commerce and financial services company, which continued to see strong revenue and profit growth as e-commerce penetration increased in the region. Raia Drogasil, a Brazilian pharmacy which delivered strong store growth, market share gains and increased digital sales and Grupa Pracuj, a Polish HR technology platform, which saw revenues remain more resilient than expected, alongside strong cost control.

The main detractors were Safaricom, a Kenyan telecommunications and mobile money provider, following economic and currency weakness in Kenya and start up losses from Ethiopia. Faratronic, a Chinese film capacitor producer, as a result of derating following slowing EV and solar volumes and Longi, a Chinese solar company given increased industry oversupply and technology changes in solar module production.

On a relative performance basis the main additional detractor was the fact that we did not own Samsung Electronics.

Source: Schroders, as at August 2023. For illustrative purposes only and not a recommendation to buy/sell.

SUSTAINABLE INFRASTRUCTURE

REPRESENTATIVE ACCOUNT

Stock	Description	SDG	KPI	Weight
Samsung SDI	Korean battery supplier to electric vehicles (EV) and energy storage systems	11 SUSTAINABLE CITIES AND COMMUNITIES	CO2 emissions avoided Battery capacity	3.9%
TSMC	Taiwanese semiconductor company	9 INDUSTRY, INNOVATION AND INFRASTRUCTURE	Energy saved R&D Number of patents	3.8%
Zhejiang Sanhua	Manufacturer of controls and components for heating, ventilation, and air conditioning (HVAC).	11 SUSTAINABLE CITIES AND COMMUNITIES	Revenue from EV valves and high energy efficiency valves	3.8%
CATL	Global leader in lithium ion battery development and manufacturing	11 SUSTAINABLE CITIES AND COMMUNITIES	Battery capacity CO2 emissions avoided	3.1%
Merida	Taiwanese bicycle manufacturer	11 SUSTAINABLE CITIES AND COMMUNITIES	Number of units sold CO2 emissions avoided	2.8%
Safaricom	Kenyan telecommunications and mobile money provider	9 INDUSTRY, INNOVATION AND INFRASTRUCTURE	Number of telecom customers Number of M-Pesa customers Coverage of customers Number of loans provided	2.4%
Wuxi Lead	Leading lithium battery manufacturer	11 SUSTAINABLE CITIES AND COMMUNITIES	Battery capacity enabled Patents in clean energy	1.4%

Emerging Markets Equity Impact Report

CASE STUDY: MERIDA

Company references are for illustrative purposes only and are not a recommendation to buy and/or sell, or an opinion as to the value of that company's shares.

What does the company do?
Merida is a Taiwanese bicycle manufacturer, founded in 1972. They manufacture a variety of different bicycles including road, mountain and hybrid bikes and E-bikes and sold 769000 bikes in 2022.

How are Merida's products having a positive impact?
Merida, as a major bicycle manufacturer provides products that both offer a more sustainable form of transport and positively impact the health and wellbeing of individuals.

Cycling, although not zero emissions, is estimated to have more than 10 times lower carbon emissions than a passenger car at 22g CO2e per passenger kilometre versus 271g CO2e for a car[1]. In many countries, the majority of trips made by car are short distance. For example, in the US 60% of journeys are 5 or less miles and 45% of journeys in a car are 3 miles or less[2]. Bicycles, and particularly with the development of e-bikes, are a realistic alternative to providing a more sustainable form of transport, directly contributing to SDG 11.6. This goal aims to reduce the adverse per capita environmental impact of cities, including a special focus on improving air quality by 2030. In addition to providing a positive impact on the environment, regular cycling can also have a positive impact to the health of the individual. For example a study in the UK found that regular cycling is associated with improved cardiovascular functioning and a lower risk of cardiovascular disease[3], one of the largest causes of death globally.

How does Merida approach sustainability?
Following extensive engagement with the company around improving disclosure on their approach to sustainability, Merida published a sustainability report in June 2023 with detail around their treatment of different stakeholders and clear short, medium and long term targets. For example, they are targeting to reduce emissions by 25% by 2030 and achieve net zero by 2050. Employees are a key stakeholder and although turnover is relatively low at 7% they have short term goals to reduce turnover to 5% or lower and below 3% in the medium term. Alongside this the company continues to increase the education and training that they provide to their employees. Overall as well as their products having a positive impact they are producing them in a sustainable way.

1 Cycle_More_Often_2_Cool_Down_the_Planet.pdf (ecf.com)
2 National Household Travel Survey (ornl.gov)
3 Association between active commuting and incident cardiovascular disease, cancer, and mortality: prospective cohort study | The BMJ

Merida

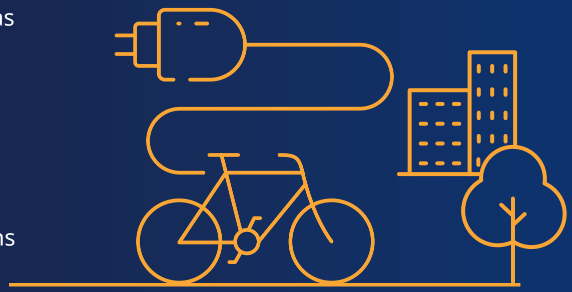
11 SUSTAINABLE CITIES AND COMMUNITIES

Impact

What? Taiwanese producer of bikes and e-bikes. **Who?** The planet
How much? 430,000 bicycles and 340,000 e-bikes in 2022.

Sustainability

Fair treatment of all stakeholders with targets to reduce environment impacts from production as well as reduce turnover of staff and increase training.



Financial return

Well managed and global business with focus on improving returns further generating returns in excess of its cost capital. The firm has a ROIC of greater than 20%.

Source: Schroders, as at August 2023. For illustrative purposes only and should not be viewed as a recommendation to buy or sell.

INCLUSION

REPRESENTATIVE ACCOUNT

Stock	Description	SDG	KPI	Weight
Prudential	Asian and African health and life insurer	8 DECENT WORK AND ECONOMIC GROWTH	Number of customers Number of students provided with financial education	4.0%
Gentera	Mexican microfinance company	8 DECENT WORK AND ECONOMIC GROWTH	Number of customers Accessible loans provided	3.9%
HDFC Bank	Indian bank	8 DECENT WORK AND ECONOMIC GROWTH	Number of customers Outlets in rural and semi-urban areas	3.6%
Laureate Education	Education providers in Mexico and Peru	4 QUALITY EDUCATION	Number of students Scholarships given to low income students	3.0%
Grupa Pracuj	Polish HR technology platform	8 DECENT WORK AND ECONOMIC GROWTH	Number of total CVs on platform Job postings Unique users applying for jobs	2.7%
Capitec Bank	South African bank	8 DECENT WORK AND ECONOMIC GROWTH	Number of customers Number of digital customers	2.3%
Syariah BTPN	Indonesian microfinance bank	8 DECENT WORK AND ECONOMIC GROWTH	Number of customers Number of women provided loans	2.3%
Bank Rakyat	Indonesian bank focused on micro, small and medium enterprise (MSME) customers	8 DECENT WORK AND ECONOMIC GROWTH	Number of customers Loans to MSME customers	1.7%
MercadoLibre	Latin American commerce and financial services company	8 DECENT WORK AND ECONOMIC GROWTH	Number of fintech customers Loans provided Number of families deriving main income from platform Number of jobs generated directly	1.6%
Creditaccess Grameen	Indian microfinance company	8 DECENT WORK AND ECONOMIC GROWTH	Number of customers Number of female customers	1.6%
Kanzhun	Chinese recruitment platform	8 DECENT WORK AND ECONOMIC GROWTH	Number of job seekers	1.4%

Emerging Markets Equity Impact Report

CASE STUDY: Mercado Libre
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What does the company do?
Mercado Libre is an online e-commerce and payments platform, operating in 18 Latin American countries. It offers a technology solutions across the complete value chain of commerce.

How is Mercado Libre having a positive impact?
The company has a positive impact through its democratisation of commerce and financial services. It aims to level the playing field between large and small vendors, and to make payments and commerce processes simpler, safer and more efficient for all. It allows merchants to grow their businesses and create employment.

For example, in 2021, the company reached 51,500,000 unique fintech users, 900,000 families reported Mercado Libre's platform as their main source of income and the platform created an average of 6 jobs an hour. Over 500,000 small-to-medium enterprises (SMEs) sold over the platform during the year and 84% were able to expand outside of their city and attract more clients.

How does Mercado Libre approach sustainability?
Mercado Libre is committed to sustainability in every area of its business and strives to generate economic value while at the same time creating social and environmental value.

For example, in 2021 the company issued its first sustainability bond, raising $400 million which will allow it to accelerate its investments in initiatives to reduce its environmental footprint, boost financial inclusion and drive empowerment through education.

It has created a programme that promotes the regeneration and preservation of Latin America's biomes and, in 2021, quintupled the company's fleet of electric vehicles while also converting two of its main distribution centres in Brazil to 100% renewable energy. Mercado Libre is also involved in uplifting the communities in which it operates by educating the youth. Last year more than 5,000 boys and girls were trained and introduced to the world of technology.

Mercado Libre

8 DECENT WORK AND ECONOMIC GROWTH

Impact

What? Mercado Libre directly contributes to achieving higher levels of economic productivity through technology and access to financial services. **Who?** A mix of well-and under-served users. Fifty percent of users were provided with their first loan through the platform. **How much?** 51.5million unique fintech users, 900,000 families generate their main income through Mercado Libre.

Sustainability

The company publishes an impact report on an annual basis detailing the fair treatment of all steakholders. It has reduced its impact on the environment through electric vehicles and solar panels, and its employees have voted it one of the top 20 best places to work in the world.

Financial return

Mercado Libre is the leading e-commerce company in Latin America, growing faster than peers and improving profitability.

Source: Schroders, as at August 2023. For illustrative purposes only and should not be viewed as a recommendation to buy or sell.

ENVIRONMENT

REPRESENTATIVE ACCOUNT

Stock	Description	SDG	KPI	Weight
SINBON Electronics	Taiwanese cable and connector company	7 AFFORDABLE AND CLEAN ENERGY	Revenues from green energy and medical health	4.2%
Xiamen Faratronic	Chinese film capacitor producer	7 AFFORDABLE AND CLEAN ENERGY	Revenue from EV and renewable power	3.1%
Terna Energy	Renewable energy provider in Greece	7 AFFORDABLE AND CLEAN ENERGY	CO2 emissions avoided	3.1%
WEG	Brazilian electrical equipment manufacturer	7 AFFORDABLE AND CLEAN ENERGY	High energy efficiency motor revenues Revenues from renewable energy equipment	2.6%

CASE STUDY: Sinbon Electronics

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What does the company do?
Sinbon electronics designs and manufactures electronic components with a specific focus on cables and connectors. They focus on 5 key industry fields: Medical, Automotive, Green energy, Industrial and Communications. Within the green industry Sinbon is a key provider of components in the wind power, solar power and electric vehicles industries. Whilst in the medical health industry they are a key supplier to the medical imaging industry for example and supply 6 out of 10 of the world's largest medical imaging equipment manufacturers.

How is Sinbon having a positive impact?
Sinbon has a positive impact through their design, development and manufacture of electronic components used in a broad range of applications addressing a shift to clean energy, electric vehicles and improving medical health equipment. They work closely with their customers to develop critical components and have accumulated 125 global patents and submitted a further 59 patents in 2022. The advantages that their products provide include miniaturisation, high speed transmission and high reliability. In the wind turbine industry they supply 10 out of 10 of the top wind turbine companies with their solutions providing connection cable sets, intelligent monitoring, control cabinet assembly and bird repellents enabling efficient operation of the turbines. Within the medical health industry they assist customers in the development of imaging products to improve imaging accuracy and post-imaging AI automatic judgment. In automotives, Sinbon is involved in the design and production of EV charging equipment with its high-tech R&D capabilities in cables and connectors. Sinbon has been operating in these areas for a number of years but has increased the portion of revenue from 32% in 2018 to over 50% in H1 2023 and the portion is expected to continue to grow.

How does Sinbon approach sustainability?
Sustainability is embedded in the company's operations led by an ESG committee chaired by the Chairman of Sinbon. The company has a clear focus on stakeholders and managing them in a sustainable way. For example, reducing the environmental impact from production, with a goal of a 40% reduction in emissions by 2030. As part of this they are increasing the use of low carbon materials including biomass materials. Their customer surveys consistently score strongly, at 4.7 out of 5, better than peers in the same industry. They have supplier code of conducts in place and conduct on-site audits of key suppliers every year. For each material topic annual targets are set and reported to the ESG committee.

Sinbon Electronics

7 AFFORDABLE AND CLEAN ENERGY

Impact

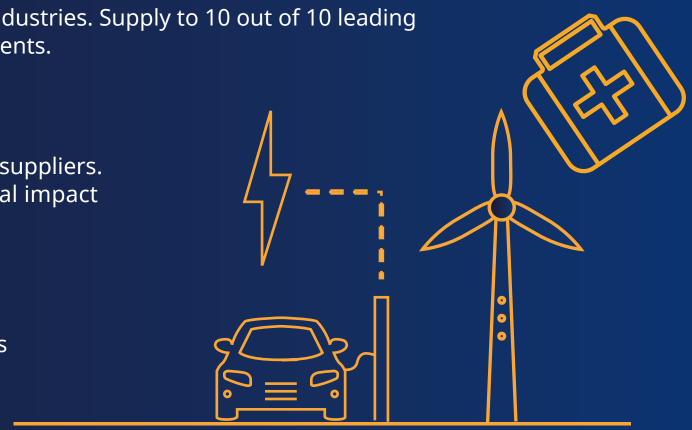
What? Innovative and customised cables, with a specific focus on green energy and medical industries. **Who?** The planet. **How much?** 50% of revenues from renewables, medical and EV charging industries. Supply to 10 out of 10 leading global wind turbine companies. 125 patents.

Sustainability

Deep engagement with customers and suppliers. Annual targets to reduce environmental impact with 40% reduction by 2030.

Financial return

Long track record of growth and returns above cost of capital.



Source: Schroders, as at August 2023. For illustrative purposes only and should not be viewed as a recommendation to buy or sell.

Emerging Markets Equity Impact Report

HEALTH AND WELLNESS

REPRESENTATIVE ACCOUNT

Stock	Description	SDG	KPI	Weight
Raia Drogasil	Brazilian pharmacy	3 GOOD HEALTH AND WELL-BEING	Number of customers Number of stores	3.7%
Clicks Group	South African pharmacy	3 GOOD HEALTH AND WELL-BEING	Number of stores Population within reach of a store	3.0%
Rede D'Or	Brazilian healthcare provider	3 GOOD HEALTH AND WELL-BEING	Number of patients Number of beds	2.8%
Netcare	South African healthcare provider	3 GOOD HEALTH AND WELL-BEING	Number of patients Quality of care Number of beds	2.5%
Shandong Weigao	Chinese medical devices company	3 GOOD HEALTH AND WELL-BEING	Number of customers Number of patents R&D spending	2.4%

Source: Schroders, as at August 2023. For illustrative purposes only and not a recommendation to buy/sell.

REPRESENTATIVE ACCOUNT

Stock	Description	SDG	KPI	Weight
Mitra Keluarga	Indonesian healthcare provider	3 GOOD HEALTH AND WELL-BEING	Number of patients treated Number of patients as part of universal healthcare coverage system Number of hospitals/beds	2.3%
Krka	Slovenian pharmaceutical company	3 GOOD HEALTH AND WELL-BEING	Number of patients treated	2.2%
Innovent Biologics	Chinese biotech company focused on oncology	3 GOOD HEALTH AND WELL-BEING	Number of new drugs R&D	1.7%
Apollo Hospitals	Indian healthcare provider	3 GOOD HEALTH AND WELL-BEING	Number of patients Quality of care metric	1.5%
Sido Muncul	Indonesian medicine company	3 GOOD HEALTH AND WELL-BEING	Revenue from medicine and supplements	1.5%

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CASE STUDY: Mitra Keluarga

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What does the company do?
PT Mitra Keluarga Karyasehat Tbk is an Indonesia-based company primarily engaged in providing healthcare services across Indonesia and is the largest private hospital group in Indonesia. The hospital network of 29 hospitals operates principally in two of Indonesia's most urban areas, Greater Jakarta and the city of Surabaya, as well as selected other cities. They offer a comprehensive range of medical specialities and services including general medicine, obstetrics, gynaecology, paediatrics, cardiology, orthopaedics, neurology and many more.

How is Mitra Keluarga having a positive impact?
In 2022 Mitra Keluarga treated over 2.9m patients, including 2.6m outpatients and 0.3m inpatient admissions, increasing from 2.5m patients in 2021. They serve a range of different patients in terms of payor type with 37% of patients funded by the universal healthcare coverage (JKN) and the remainder from insured patients or those paying out of pocket. The number of JKN patients has been rising in recent years and ensures the healthcare services have a positive impact for patients with a broad range of income levels.

Mitra Keluarga was established in 1989 with a modest 35-bed maternity hospital in Jakarta. Since then the company has continued to expand the footprint and infrastructure and now has a total of 3733 operational beds as at June 30th 2023. Given Indonesia's low level of healthcare infrastructure with only 1 hospital bed per 1000 people compared to Brazil at 2, USA at 3, China over 4 and a global average of 2.9[1]. COVID-19 was a great example where this infrastructure that Mitra Keluarga has built up over many years was important as they dedicated over 45% of their bed capacity exclusively for treatment of COVID-19 patients.

How does Mitra Keluarga approach sustainability?
The company recognises the importance of creating viable long-term value for stakeholders by balancing economic goals, alongside social and environmental aspirations. The company's mission is to provide 'compassionate, trusted, patient orientated' care. Surveys of customers confirm that the company is well regarded with customer satisfaction scores of 85%. In order to provide this high level of patient care employees are key. Mitra Keluarga has over 8300 employees and recognises the importance of them in delivering their mission. They have extensive training programmes in place with an average of 47 hours of training per employee per annum. Although the environmental impact from the hospitals is relatively limited compared to other industries, the company has been reducing the energy and water used and has several initiatives including the elimination of single use plastic in their operations to reduce their environmental impact.

[1] https://ourworldindata.org/grapher/hospital-beds-per-1000-people?tab=table&country=~CHN

Mitra Keluarga

Impact

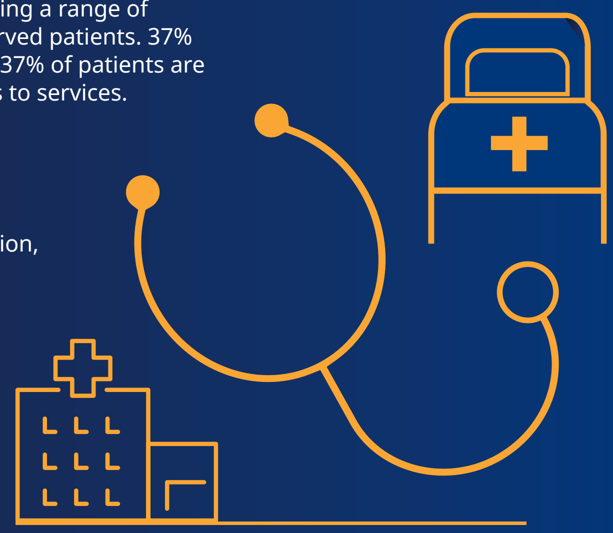
What? Largest private hospital provider in Indonesia offering a range of healthcare services. **Who?** A mix of both well and underserved patients. 37% underserved patients given low healthcare infrastructure. 37% of patients are funded by universal healthcare system, broadening access to services.
How much? 2.9m patients, 3733 operational beds.

Sustainability

All stakeholders treated fairly with high customer satisfaction, strong employee training programmes and reduction of environmental impact.

Financial return

Strong organic growth. Good record of generating returns in excess of cost of capital.



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RESPONSIBLE CONSUMPTION

REPRESENTATIVE ACCOUNT

Stock	Description	SDG	KPI	Weight
Klabin	Brazilian packaging company		CO2 emissions avoided Number of reintroduced species	4.1%
ATRenew	Online second-hand electronics recycling platform		Number of devices re-commercialised CO2 emissions avoided Reduction in e-waste	3.6%
Shoprite	African food retailer		Number of customers Amount of food waste reduced	3.2%

Source: Schroders, as at August 2023. For illustrative purposes only and not a recommendation to buy/sell.

CASE STUDY: ATRenew

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What does the company do?

ATRenew stands for 'All Things Renew' and its mission is to give a second life to all idle goods. It operates a platform in China to facilitate recycling and trade-in services of pre-owned consumer electronics, distributing the devices to prolong their lifecycle.

How is ATRenew having a positive impact?

The company has a positive impact through its ability to facilitate the re-commercialisation of electronic products from collection through to resale. In 2022, 32 million products were recycled and traded through its platform.

Through its commitment to prolong the lifecycle of ever more products, it aims to reduce carbon emissions while fulfilling consumers' demand for high-quality electronic products.

In 2021, for example, the company estimated a reduction of 464,000 metric tons of carbon emissions through the reuse of pre-owned mobile phones. It also partners with qualified organisations to properly dispose of e-waste responsibly disposing of 270,000 devices, reducing 43.2 metric tons of e-waste in 2022.

How does ATRenew approach sustainability?

ATRenew is committed to working and engaging fairly with all stakeholders, from customers through to suppliers, employees, local communities and shareholders.

For example, ATRenew has a number of digital education programmes donating devices and providing educational resources to underprivileged children in China. They have been reducing their own environmental impact, reducing CO_2 emissions by 19% and have continued to ensure customers are well served with 100% of customer complaints resolved in 2022.

ATRenew

12 RESPONSIBLE CONSUMPTION AND PRODUCTION

Impact

What? ATRenew directly contributes to the creation of a circular economy through a reduction of e-waste by facilitating the re-commercialisation of second-hand electronic goods. **Who?** The environment **How much? 32** million devices recycled or transacted through their platform.

Sustainability

ATRenew has a detailed sustainability report with evidence of a material environment impact and fair treatment of all stakeholders. For example, it avoided 35.7 tonnes of electronics pollution and heavy metal pollution in 2020 through its circular model. It also runs a number of community programmes, including the donation of electronic devices to schools.

Financial return

The company is the market leader in a fast growing market. They have successfully transitioned to profitability having been loss making with further improvements expected as they continue to scale the business.

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Emerging Markets Equity Impact Report

ACTIVE OWNERSHIP

Emerging Markets Equity Impact Report

ACTIVE OWNERSHIP IN PRACTICE

We identify three key methods for practising active ownership around the impact and sustainability of the companies:

Engagement

We work with companies to help them to recognise the potential impact of these challenges and to help them take action in the areas where change may be required

Dialogue

We speak with companies to understand if and how they are preparing for the long-term sustainability challenges they face

Voting

We use our voice and rights as shareholders to seek to make sure these changes are effected

These forms of active ownership can take place directly with companies, led by our fund managers, investment analysts and Sustainable Investment team; they can also take place in collaboration with other groups. Forms of engagement can include telephone conversations, face-to-face meetings and written correspondence.

We recognise that effective engagement requires continuous monitoring and ongoing dialogue. Where we have engaged repeatedly and seen no meaningful progress, we will escalate our concerns. Decisions on whether and how to escalate are based on the materiality of each issue, its urgency, the extent of our concern and whether the company has demonstrated progress through previous engagements. We identify a number of methods to escalate our engagements below; these may take place in any order or frequency depending on the nature of the engagement:

- Meeting or otherwise communicating with non-executive directors or the chair of the board
- Expressing our concerns via company advisers or brokers
- Collaborative intervention with other institutional investors
- Withholding support or voting against management and directors
- Publicly stating our concerns
- Submitting resolutions at general meetings
- Requisitioning extraordinary general meetings
- Divesting, which may mean a full or partial exit

We will seek to align our approach to voting with our wider active ownership priorities. This can include voting against management; for example, by holding directors to account on ESG topics, and supporting shareholder proposals, which are becoming increasingly frequent and important levers for change. We will oppose management if we believe that doing so is in the best interests of shareholders and our clients. We examine sustainability-related resolutions on a case-by-case basis with reference to the following factors:

- **Materiality:** We focus on issues that are relevant to a company within the context of its sector and the company's relationship with stakeholders
- **Transparency:** We support transparency as this helps us better understand how companies are identifying and managing the ESG issues that impact their business
- **Asymmetric knowledge:** We engage with companies to promote good environmental, social and governance practices. However, we recognise that it is the company that has the day-to-day operational knowledge and expertise to manage ESG issues. We do not intend to micro-manage companies, but rather provide oversight and guidance on ESG practices
- **Alignment with evolving ESG best practice:** We encourage companies to move towards ESG best practice. Best practice is constantly evolving and we take account of the views of investee companies and our own stakeholders, we also consider the sector and geography, and what realistic expectations may be

- **Evidence of policy implementation and progress:** We seek reassurance that the policies and practices published by companies are being implemented effectively
- **Responsible conduct:** When sustainability-related controversies do occur, we seek evidence that companies seek to understand the causes of issues when they arise and are pro-active in strengthening management systems to minimise the probability of future controversies

For more information please see the Schroders Engagement Blueprint.

Impact Engagements
There are many similarities in how we engage with companies broadly on material sustainability issues, and how we engage within impact strategies. Across the board our approach to engagement focusses on achieving real-world outcomes and change – we prioritise ensuring depth and quality in our engagements.

Within impact strategies, we continue to engage to improve sustainability practices. In our broader sustainability engagements, when determining the timing and objectives of engagement, we consider: materiality (focusing on the most material sustainability threats and opportunities for the company), regional context (how the materiality may differ by country or region), what can be realistically achieved, our ability to monitor progress, and the length of the engagement.

In addition to sustainability engagements we may also engage to drive impact. **Impact engagements focus on accelerating the impact of companies and the effectiveness of engagement is measured in relation to progress towards changes that contribute to the impact outcomes that the Strategy seeks to deliver.**

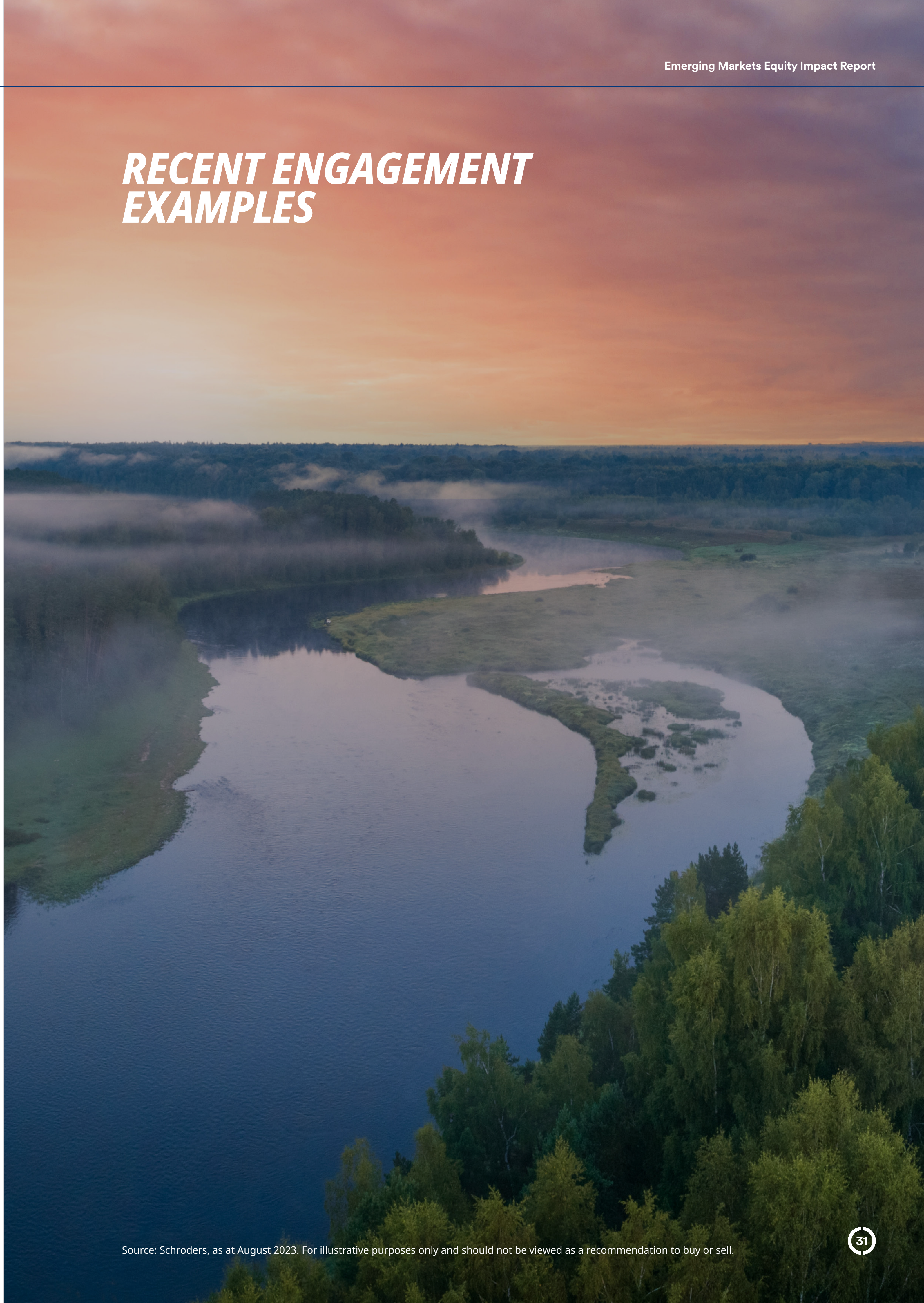
When we consider our ability to engage across the value chain, it is likely that broader sustainability engagement places a greater emphasis on sustainability issues occurring in the supply chain and direct operations, whereas, **impact engagement places a greater emphasis on addressing topics related to the products and services a company provides.**

DIFFERENCE BETWEEN SUSTAINABILITY AND IMPACT ENGAGEMENTS

Dimension	Sustainability approach	Impact approach
Overall engagement approach	Engagement strategies focus on sustainability issues that are material to the long-term value of investees. We believe that companies that address these factors will drive improved financial performance for our clients.	Engagements are directly linked to the impact objectives and the strategy theory of change. There is a greater emphasis on furthering the impact of a company's products and services.
Measuring engagement success	We aim to set pre-defined SMART (specific, measurable, achievable, realistic and time-bound) engagement objectives. We regularly monitor progress against the engagement objectives, at least annually. Outcomes may include increased disclosure, influencing the company strategy on a particular issue, or a change to the governance of an issue. When we determine there to be insufficient progress in an engagement we may apply methods of escalation.	We aim to set pre-defined SMART (specific, measurable, achievable, realistic and time-bound) engagement objectives. We regularly monitor progress against the engagement objectives, at least annually. **The effectiveness of engagement is measured in relation to progress towards changes that contribute to the impact outcomes that the Strategy seeks to deliver.** Engagement progress is an important consideration in **assessing the sustainability of impact.** We may apply methods of escalation where engagements have not been successful, including divestment if we believe the lack of progress jeopardises the impact thesis.
Timeframes	We aim to set short- to mid-term objectives – that can often be achieved over a 12– to 24–month period depending on the intensity of the engagement – but with a longer-term vision in mind. We recognise that some issues may require more urgent action than others, and that other objectives may take longer for a company to achieve.	We recognise that requests for change can take longer when they are more closely related to the business model or products and services that a company provides, as opposed to engaging on operational issues. With this in mind, we consider that **engagement for an impact Strategy may follow a longer time-scale** than broader sustainability engagements.

Source: Schroders, as at August 2023. For illustrative purposes only and not a recommendation to buy/sell.

RECENT ENGAGEMENT EXAMPLES



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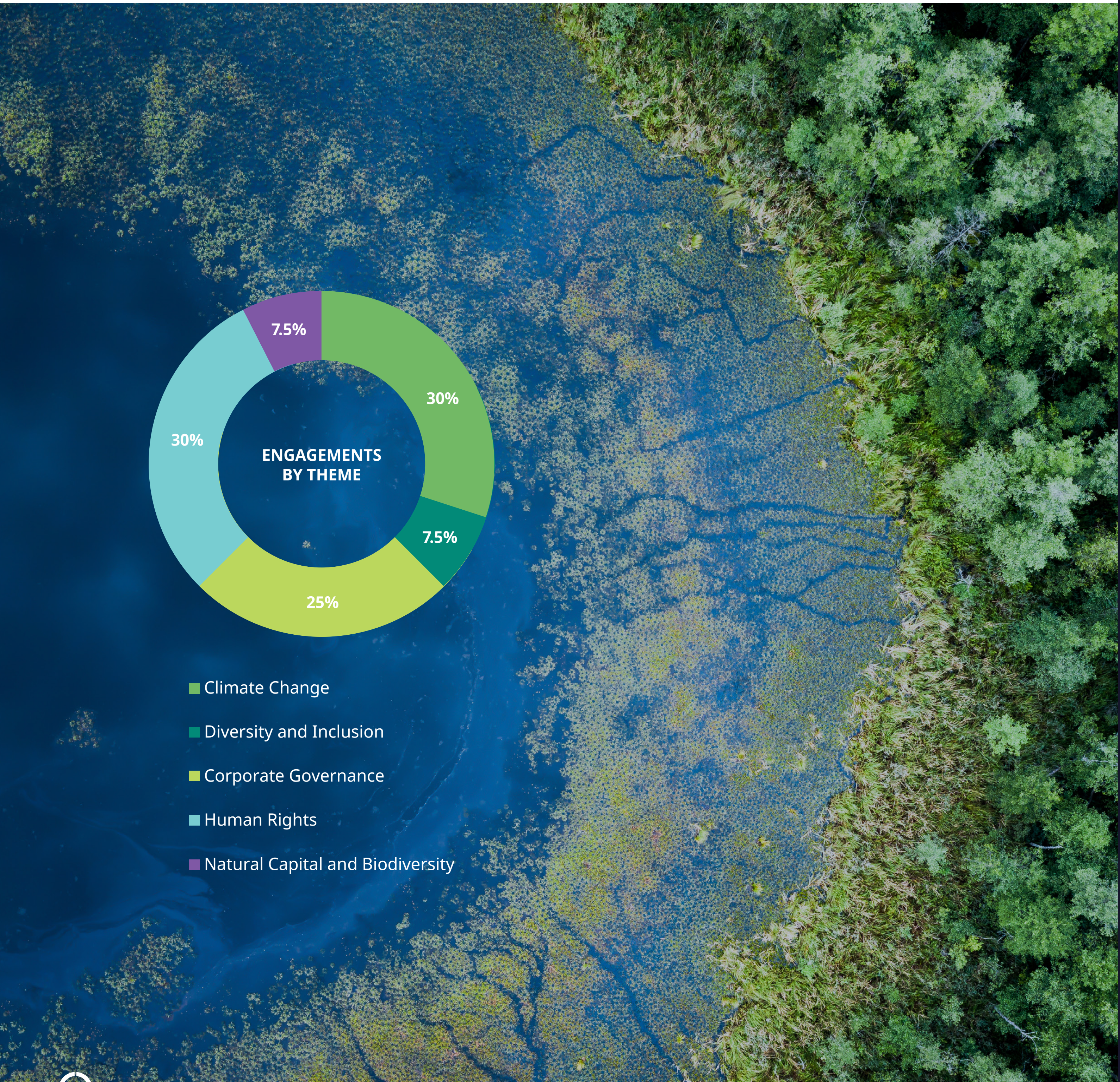
Active engagement with companies held, or those being considered is a key element of the process for the strategy. The focus is on increasing the contribution to society and improving stakeholder outcomes by working with companies on how they can achieve best practice, driving positive change by focussing on specific KPIs and tracking progress through time. Company engagement is conducted by the fund manager in partnership with members of the Sustainable Investment team in line with the [Schroders Engagement Blueprint].

At a strategy level, 41 engagements covering our holdings have occurred over the twelve months from August 2022. Below is a breakdown by engagement theme, as set out in the Schroders Engagement Blueprint.



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BELOW ARE SOME SPECIFIC EXAMPLES OF ENGAGEMENT. FURTHER EXAMPLES ARE INCLUDED WITHIN THE QUARTERLY REPORTING.

Mercado Libre (MELI)	Latin American e-commerce and financial services company	8 DECENT WORK AND ECONOMIC GROWTH	The investment and Sustainable Investment teams engaged multiple times during the year around human rights, implementing a climate change strategy and impact metrics. We encouraged MELI to make their human rights policy more explicit and to consider adding in social criteria to their sustainable purchasing incentives. We also provided them with examples of good practice. We followed up with the company for an update on their climate change strategy, reiterating our expectations around Net Zero. The company is expected to put a strategy in place later this year. Finally, the company measures the impact they have from a social perspective. We engaged with the company around putting formal targets in place in relation to these metrics.
Grupa Pracuj	Polish HR technology platform	8 DECENT WORK AND ECONOMIC GROWTH	The investment team engaged in Q4 2022 with the company on their products and services offered and how the company supports labour market mobility, enhances job seeker's skillsets and helps support lower income job seekers. During Q1 2023 we saw some improvements in disclosure but also followed up further and reiterated our request that the company produce a sustainability report and include the additional information around these topics.
WEG	Brazilian electrical equipment manufacture	7 AFFORDABLE AND CLEAN ENERGY	The investment team have been engaging with the company on a number of areas including supply chain, board diversity and improved disclosure on the impact of their products. The company has seen some improved disclosure around the portion of its products sold that have high energy efficiency. However during Q1 2023 we further engaged with the company on publicly disclosing the portion of revenue from high energy efficiency motors and the renewable industry.
Cipla	Indian pharmaceutical company	3 GOOD HEALTH AND WELL-BEING	The investment team engaged with the company on a number of impact and sustainability areas including improving gender diversity in the workforce, improved disclosure on impact metrics and information on ongoing regulatory issues and their potential resolution. The company has seen some improvement but we will continue to engage with the company in order to see further progress.

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